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Report Highlights:

Despite area expansion by private sugar mills, a long, drawn-out El Nino in 2023/24 reduced both sugarcane and plantation white sugar production. The ongoing impact of El Nino will be immediately followed by the onset of the 2024 dry season combined with a predicted La Nina at the end of 2024, which are forecast to further reduce sugarcane and plantation white sugar production. However, high international sugar prices in 2023/24 have reduced imports realization. Considering the increased demand for sugar from the recent general elections and consecutive religious festivities in early 2024, the Government of Indonesia (GOI) increased authorized import allocations for 2024/25.

Glossary:

ASEAN	: Association of East Asian Nations
ATIGA	: ASEAN Trade in Goods Agreement
BMKG	: The Indonesian Meteorology, Climatology, and Geophysics Agency
GAPMMI	: Indonesian Food and Beverage Industry Association
GOI	: Government of Indonesia
HET	: Maximum Retail Price
HFCS-55	: High Fructose Corn Syrup with 55 percent fructose content (HS Code 170260)
ICUMSA	: International Commission For Uniform Methods of Sugar Analysis
ID	: Import Duty
IU	: International Unit
MOA	: Ministry of Agriculture
MOI	: Ministry of Industry
MOT	: Ministry of Trade
OECD	: The Organization for Economic Cooperation and Development
Sembako	: Nine staple foods
TCD	: Tons of Cane per Day
TPD	: Tons Per Day
VAT	: Value Added Tax

General Summary

Ministry of Trade (MOT) Regulation No. 27/2017 included sugar as one of the so-called *"Sembako,"* an abbreviation meaning the nine necessary food staples, along with rice, corn, soybean, cooking oil, beef, poultry meat, shallot, and eggs. The GOI's sugar policy classifies domestic sugar into three categories: plantation white sugar for home consumption, raw sugar for domestic sugar refineries, and refined sugar for the local food and beverage industry. MOI Regulation No. 3/2021 states that sugar mills can only produce white sugar (plantation white sugar) and refineries can only produce refined sugar. Sugar mills use domestically produced sugarcane or imported raw sugar as their feedstock while refineries source their feedstock from imported raw sugar. However, since domestic demand far outpaces local production, significant volumes of imports are required to fill the idle capacity of sugar mills. The government tightly controls the timing of imports, import volumes, and which companies receive import quotas. Additionally, if refined sugar with certain specifications is unavailable in the local market, food and beverage companies may be permitted to import. National demand for both plantation white and refined sugar continues to increase along with population and an expanding food and beverage industry.

Sugar consumption for 2023/24 is expected to decrease to 7.5 million metric tons (MMT) of raw sugar equivalent from 7.8 MMT of raw sugar equivalent in 2022/23 due to high sugar prices in the local market and lower demand from the food and beverage industry. In line with population growth and expected recovery of demand from the food and beverage industry, 2024/25 sugar consumption is forecast to rebound to 7.6 MMT of raw sugar equivalent.

Table 1. PSD: Sugarcane for Centrifugal

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	May 2022		May 2023		May 2024	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	490	490	495	510	0	510
Area Harvested (1000 HA)	488	488	490	504	0	500
Production (1000 MT)	36000	36000	34700	31000	0	28000
Total Supply (1000 MT)	36000	36000	34700	31000	0	28000
Utilization for Sugar (1000 MT)	36000	36000	34700	31000	0	28000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	36000	36000	34700	31000	0	28000
(1000 HA) ,(1000 MT)						

Note: The last column of each Marketing Year is not official USDA data.

Table 2. PSD: Centrifugal Sugar

Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	May 2022		May 2023		May 2024	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	2370	2370	2330	2330	0	1950
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2400	2400	2600	2300	0	2000
Total Sugar Production (1000 MT)	2400	2400	2600	2300	0	2000
Raw Imports (1000 MT)	5500	5500	5300	4700	0	5400
Refined Imp.(Raw Val) (1000 MT)	300	300	330	300	0	150
Total Imports (1000 MT)	5800	5800	5630	5000	0	5550
Total Supply (1000 MT)	10570	10570	10560	9630	0	9500
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	440	440	450	180	0	100
Total Exports (1000 MT)	440	440	450	180	0	100
Human Dom. Consumption (1000 MT)	7800	7800	7900	7500	0	7600
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	7800	7800	7900	7500	0	7600
Ending Stocks (1000 MT)	2330	2330	2210	1950	0	1800
Total Distribution (1000 MT)	10570	10570	10560	9630	0	9500
(1000 MT)						

Note: The last column of each Marketing Year is not official USDA data.

Production

White sugar is produced from sugarcane and is primarily for direct human consumption. Refined sugar is made from imported raw sugar, which is generally used for processing by the food and beverage industry. Refined sugar produced from imported raw sugar is prohibited from being distributed to retail markets for household consumption.

Currently, a total of 59 sugar mills are operating in Indonesia, with a national installed capacity of 316,950 metric tons of cane per day (TCD). Of these mills, 40 are administered by state-owned companies and 19 are privately-owned. The main producing areas of sugarcane in Indonesia are East Java (47 percent), Lampung (32 percent), and Central Java (8 percent). In 2023, the Ministry of Agriculture (MOA) reported that smallholder farmers accounted for approximately 59 percent of total sugarcane area, while the rest is managed by state-owned and private companies. However, smallholder sugarcane area is on the decline due to rapid infrastructure development on Java Island and competition from other food crops, such as corn

and paddy, which can provide farmers higher margins. The expansion of sugarcane area under private companies, which averaged around 4.2 percent outside of Java and 4.8 percent on Java Island, offset the decline in smallholder area. As a result, harvested area in 2023/24 is estimated to increase to 504,000 hectares from 488,000 hectares in 2022/23. Harvested area in 2024/25 is forecast to slightly decline to 500,000 hectares due to the impact of El Nino.

The Indonesian Meteorology, Climatology, and Geophysics Agency (*BMKG, Badan Meteorologi, Klimatologi, dan Geofisika*) predicts that the start of the dry season in Indonesia will occur in April 2024 as the Australian monsoon becomes active. The dry season will start from East Nusa Tenggara and make its way westward to West Nusa Tenggara, Bali, and Java Island, encompassing almost all of Indonesia from May to August 2024. When compared to the climatological average (1991-2020 period), the start of the 2024 dry season in Indonesia is predicted to start later than normal in 40 percent of total area, on time in 25 percent of total area, and earlier than normal in 15 percent of total area. Compared to the climatological average (1991-2020 period), the 2024 dry season is predicted to be normal and above in 51.36 percent of area and below normal in 39.91 percent of area. Moreover, BMKG predicts 8.73 percent of Indonesia's total area will experience a below normal dry season. Furthermore, BMKG reported that until early March 2024, monitoring of global climate anomalies in the Pacific Ocean showed that a moderate El Nino is still ongoing. The El Nino phenomenon is predicted to move towards its neutral phase around May-July 2024, potentially turning into a weak La Nina after the third quarter (July-September) 2024.

The El Nino phenomenon affecting Indonesia since the second semester of 2023 has significantly reduced sugarcane production. Due to the longer, more severe dry season in 2023/24, sugarcane areas did not receive sufficient rainfall, which led to shorter stalk segment growth during the vegetative period. Some smallholder farmers reported even having to pull out and discard many dried-out ratoons and replant with new sugarcane seed. Newly planted ratoons tend to produce lower yields compared to existing ratoons. Therefore, in 2023/24, yields are estimated to decline to 61.5 MT per hectare from 74.5 MT per hectare achieved in 2022/23. As El Nino is still ongoing, sugarcane yield in 2024/25 is forecast to further decline to 56 MT per hectare. Therefore, 2023/24 sugarcane production is estimated to decrease by 14 percent to 31 MMT compared to 36 MMT produced in 2022/23. Sugarcane production in 2024/25 is forecast to further decrease to 28 MMT.

Table 3. Profile and Characteristics of Indonesian Sugar Industry in 2023

No.	Description	Sugarcane-Based	Raw Sugar-Based
1.	Number of companies	18	11
2.	Number of plants	59	11
3.	Processing capacity	316,950 TCD Avg. 5,100 TCD per mill	5.016 MMT of installed capacity (initial permit) 4.228 MMT of installed capacity (actual) 3.331 MMT of running capacity (78.8 percent)
4.	Raw material	Sugarcane from mills' own plantation and farmers. Annually authorized amount of imported raw sugar to fill idle capacity.	Imported raw sugar
5.	Number of processing days	Avg. 160 days per year	Avg. 320 days per annum
6.	Annual production potential	2.5-3.0 MMT	3-4 MMT
7.	Number of workers: - On farm - Off farm	 28,350 27,427	 None 4,833
8.	Number of farmers involved	1,328,250 farming families	None
9.	Age of existing mills	5-188 years old	7-16 years old
10.	Influence of climate on production	Strong	Almost none
11.	Overseeing agency	Ministry of Agriculture (GOI Regulation No. 17/1986)	Ministry of Industry (Law No. 5/1984)

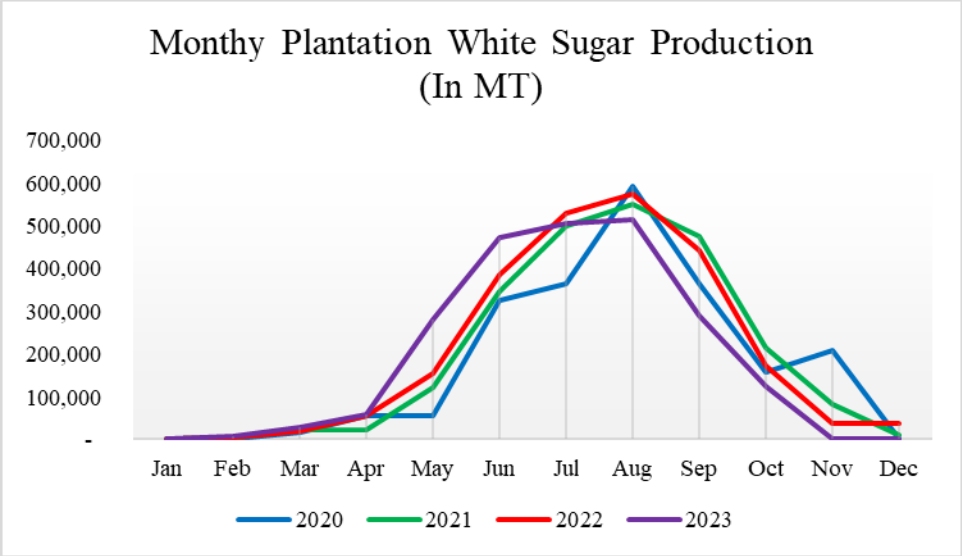
Source: MOA, MOI, MOT, compiled by FAS/Jakarta

Smallholder farmers supply sugarcane to both state-owned and private sugar mills. Indonesia's state-owned sugar mills are aging, with approximately 37 out of 43 being over 100 years old. The state-owned sugar mills' percent share of total production is on the decline as private companies with more efficient machinery and improved technologies are steadily increasing their productivity. In addition to aging machinery, state-owned companies' ownership of sugarcane plantations is decreasing. In 2023, state-owned sugar mills accounted for 47.3 percent of total plantation area and 45.3 percent of total white sugar production, a decrease from 47.3 percent in 2022. Most of the state-owned sugar mills are more than 100 years old. As a result of aging machinery, the average 5-year recovery rate across the entire industry is only 7.37

percent. However, dryness from El Nino is expected to increase the sugar content in the sugarcane, leading to an estimated increase of recovery rate in 2023/24 to 7.25 percent. However, the recovery rate in 2024/25 is forecast to decline to 7.14 percent as the drawn-out El Nino will eventually reduce the sugar content in stalks.

The Muslim fasting month of Ramadan started in early March 2024. As with the past two years, to avoid less efficient operations due to workers' holiday travel, most mills are expected to postpone the milling season to May to November 2024. Considering the abovementioned factors, 2024/25 plantation white sugar production is forecast to decrease to 2.0 MMT from 2.3 MMT in 2023/24.

Chart 1. Indonesia: Monthly Plantation White Sugar Production



Source: Industry

There are 11 sugar refineries processing imported raw sugar into refined sugar, with a total installed capacity of 4,228 MMT. The running capacity of these refineries varies depending on the GOI's issuance of raw sugar import licenses. Despite higher authorized raw sugar import quotas in 2023/24, high international sugar prices reduced refineries' running capacity to 78.8 percent compared to 82.8 percent achieved in 2022/23. Another increase of raw sugar import allocations along with higher demand for refined sugar from the food and beverage industry and declining raw sugar prices on the international market is forecast to increase refinery running capacity in 2024/25 to reach approximately 82.7 percent.

Consumption

Weakened demand for manufactured goods in Indonesia's export markets continues to cause massive layoffs in its labor-intensive manufacturing sectors such as the footwear and textile industries. The situation has contributed to depressed Indonesian consumer purchasing power indicated by declining inflation rates in 2022/23, leading to changes in consumption patterns. Lower income households cut back on food expenditures, while middle-income households, which account for approximately 20 percent of Indonesia's population, opted to put more income towards their savings amidst a more uncertain economic environment. These trends translated into lower demand for sugar from the food and beverage industry. The Indonesian Food and

Beverage Industry Association (*GAPMMI, Gabungan Pengusaha Makanan dan Minuman Indonesia*) reported that the food and beverage industry grew by only 5 percent from the initial target of 6-7 percent in 2023/24. However, inflation is slowly increasing as illustrated by recently soaring food prices of food staples such as rice, chilies, eggs, poultry meat, cooking oil, and sugar, leading up to general elections held in February 2024 and consecutive religious festivities. These conditions are also expected to push up the demand curve for manufactured food and beverage products by approximately 5-7 percent.

Chart 2. Indonesian Inflation Rate

Source: Bank Indonesia

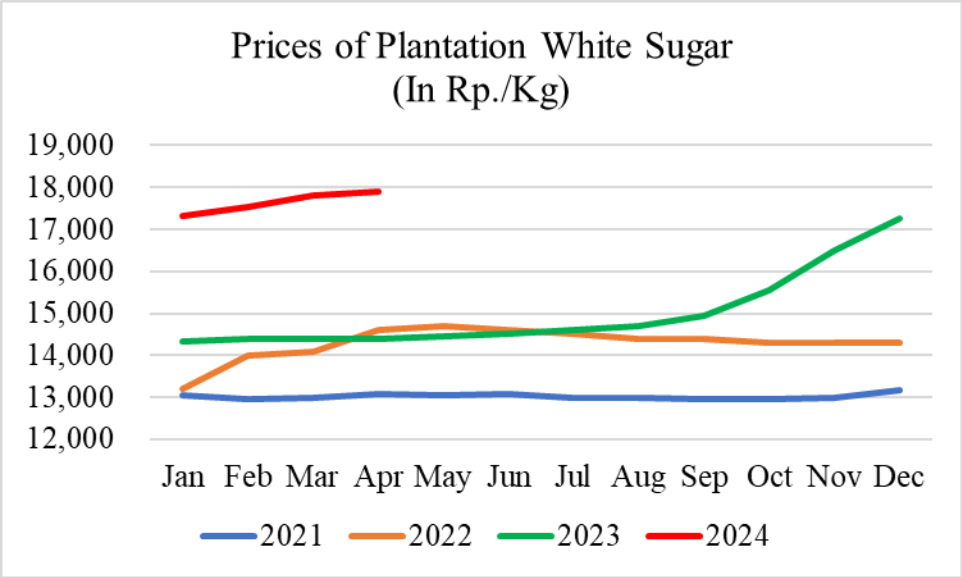
The OECD projected that Indonesia's 2024 per capita consumption of sugar would increase to around 28.8 kg per capita per year from 28.23 kg per capita per year in 2023. As a result of the aforementioned factors, sugar consumption in 2023/24 is estimated to have decreased to 7.5 MMT of raw sugar equivalent, consisting of 4.2 MMT of sugar for direct consumption and 3.3 MMT of food and beverage industry consumption. In line with population growth and recovered demand from the food and beverage industry, sugar consumption in 2024/25 is forecast to further increase to 7.6 MMT of raw sugar equivalent.

Indonesia also produces corn-based sweeteners, and its corn milling capacity is continuing to grow. However, the 2023/24 installed capacity of the industry is estimated to remain at 4,500 MT per day as it was in 2022/23. The industry consists of four major players that produce corn starch, HFCS (High Fructose Corn Syrup) 55, glucose syrup, and maltodextrin from imported corn. Despite the relatively stable production, imports of HFCS 55 in 2022/23 significantly decreased to 5,835 MT of raw sugar equivalent compared to 32,183 MT of raw sugar equivalent imported in 2021/22. During the period of May 2023 to February 2024, imports of HFCS 55 rebound to 9,911 MT of raw sugar equivalent from a total of 5,515 MT of raw sugar equivalent imported during the same period of the previous marketing year. During the period of May 2023 to February 2024, Indonesia imported HFCS 55 from Turkey (51 percent), China (45 percent), and Thailand (1.3 percent).

Prices

The National Food Agency (NFA) issued Regulation No. 17/2023 establishing reference purchasing and selling prices for plantation white sugar to address rising white sugar production and distribution costs in July 2023. Currently, the average retail price of plantation white sugar is above the reference price. Per regulation, NFA increased the reference price of plantation white sugar at the producer level to 12,500 IDR/kg ($786/MT) from the previous price of 11,500 IDR/kg ($723/MT). The NFA also increased the reference price of plantation white sugar at the consumer level to 14,500 IDR/kg ($912/MT) from the previous price of 13,500 IDR/kg ($849/MT). Exacerbated by the shortage of plantation white sugar production, the retail market price of plantation white sugar was hiked up further by the new reference prices.

Chart 3. Indonesia: Jakarta Monthly Average Retail White Sugar Prices (Rp. /Kg)



Source: Ministry of Trade, data since 2023 are from National Food Agency (NFA).

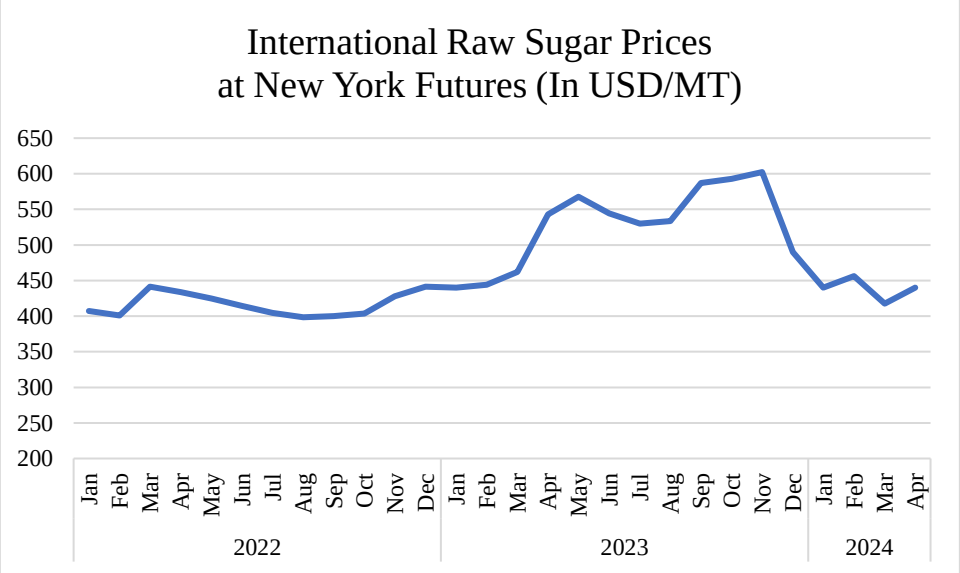
Stocks

Lower imports realization and lower production of plantation white sugar are expected to reduce 2023/24 ending stocks to 1.95 MMT of raw sugar equivalent compared to 2.33 MMT of raw sugar equivalent in 2022/23. Stocks are forecast to decline further to 1.8 MMT of raw sugar equivalent in 2024/25 in line with growing population demand, growing food and beverage industry demand, and lower production of plantation white sugar.

Trade

The GOI expects the food and beverage industry to consume domestically produced refined sugar, although companies with specific refined sugar requirements unavailable from domestic producers may still import a limited amount of refined sugar to meet demand. On the other hand, the GOI must also ensure a stable price of plantation white sugar directly consumed by the households. Therefore, since 2022, sugar has been subject to the new GOI policy to establish import quota allocations known as the Commodity Balance (See: ID2023-0011). Based on the sugar Commodity Balance (CB) calculations for 2024, in January 2024, the GOI decided to authorize imports of raw sugar for the 11 sugar refineries at 4.77 MMT of raw sugar for 2024/25, an increase of 32 percent compared to the allocation in 2023/24 of 3.61 MMT of raw sugar. In addition, to prevent local plantation white sugar prices from soaring, for 2024/25, the GOI has authorized sugar mills to import a total of 548,609 MT of raw sugar to produce into plantation white sugar, a decrease of 31 percent compared to the allocation in 2023/24 of 796,000 MT of raw sugar. In 2023/24, the GOI allocated a total of 215,800 MT for refined sugar imports while granting an allocation of 160,000 MT for refined sugar imports for 2024/25. The imported raw sugar for the sugar mills is expected to arrive before the beginning of the milling season in May 2024.

Chart 4. International Raw Sugar Prices (In USD/MT).



Source: Nusantara Sugar Community.

Due to skyrocketing raw sugar prices in the international market, and a weakened Indonesian rupiah against the U.S. dollar, in 2023/24, sugar refineries managed to only import a total of 3.5 MMT of raw sugar, while sugar mills imported a total of 737,000 MT of raw sugar. In addition, sugar mills could only realize a total of 136,000 MT of plantation white sugar production in 2023/24. Despite the continued weakened exchange rate, declining prices of raw sugar on the international market and higher demand from the food and beverage industry are expected to drive the import realization higher for 2024/25. During an inter-ministerial meeting in July 2022, the GOI projected total national demand for sugar in 2024 at 7.3 MMT per year, consisting of 4.1 MMT of refined sugar for the food and beverage industry and 3.2 MMT of plantation white sugar for household consumption.

As mandated by Law No. 7/2021 concerning the Harmonization of Tax Regulations, and referring to Ministry of Finance Regulation No. 43/2022, which serves as one of the implementing regulations under the ASEAN Trade in Goods Agreement (ATIGA), the GOI sets sugar import duties and taxes as follows:

Table 4. Indonesia: Sugar Import Duty (ID) and Value Added Tax (VAT), 2023

No.	Commodity	ID non-ASEAN		ID ASEAN	VAT (%)
		(Rp./Kg)	(US$/ton)	(%)	
1	Raw cane sugar	550	35	5	11
2	White sugar	790	50	10	11
3	Refined sugar	790	50	10	11

Source: Min. of Finance (MOF) regulation No. 26/2022, MOF regulation No. 43/2022.

Considering the abovementioned factors, Post estimates 2023/24 raw sugar imports to decline by 14.5 percent to 4.7 MMT from 5.5 MMT imported in 2022/23. Imports of refined sugar in 2023/24 is estimated to remain stable at 300,000 MT as in 2022/23. Imports of raw sugar in 2024/25 is forecast to increase by 15 percent to 5.4 MMT while imports of refined sugar is forecast to decline by 50 percent to 150,000 MT in 2024/25.

As Thailand sugar production in 2023/24 declined due to competition with other crops while Brazil had an increased supply, Brazil took over Thailand's position as the main supplier of raw sugar to Indonesia. For the period of May 2023 to February 2024, Indonesia's raw sugar imports originated from Brazil (46 percent), Thailand (32 percent), and Australia (21 percent) and India (13 percent). Nonetheless, Thailand maintained its position as the largest supplier of refined sugar to Indonesia with a total market share of 46 percent, followed by India (42 percent), and Vietnam (6 percent).

Policy

On March 5, 2024, the Ministry of Trade issued Regulation No. 3/2024 on the Amendment of Regulation Number on Import Policy. The regulation stated that only importers who hold an API-P (Producer-Importer Identification Number) may import raw sugar (HS Code 170113, 170114) with an International Commission For Uniform Methods of Sugar Analysis (ICUMSA) of at least 600 IU. The imported raw sugar must only be used as raw material for further processing. The GOI will issue imports licenses based on the CB calculations for sugar. Import licenses for raw sugar to be processed into refined sugar are valid for one calendar year. If the CB for sugar has not yet been determined, importers may import raw sugar for refined sugar production after obtaining an import recommendation from the Ministry of Industry (MOI), and imports of raw sugar for plantation white sugar production may only be conducted after the importer has obtained import recommendations from the Ministry of Industry, the Ministry of State-Owned Enterprises, the Ministry of Agriculture, and the National Food Agency, as well as an import license from the Ministry of Trade. Import licenses for raw sugar as raw material for plantation white sugar production are also valid for one calendar year.

Imports of refined sugar with an ICUMSA of less than 75 IU can only be conducted by importers who hold an API-P. The GOI will authorize import allocations based on the CB for sugar. When the CB is not yet determined, imports of refined sugar can be conducted after importers obtain import recommendations from the Ministry of Industry. Import licenses for refined sugar are valid for one calendar year.

Imports of plantation white sugar with an ICUMSA of 76 – 300 IU can only be done by state-owned enterprises holding an API-P. The GOI will also issue import authorizations based on the CB. If the CB is not yet determined, importers may import plantation white sugar after obtaining import recommendations from the Ministry of State-Owned Enterprises. The import licenses are valid for one calendar year.

The inter-ministerial meeting to determine the CB for each commodity subject to the CB policy is organized by the Coordinating Ministry for Economic Affairs (CMEA) and is supposed to take place no later than the first week of December in order for import licenses to be issued in time for the upcoming year. The new scheme requires industry to submit import applications in September. Nonetheless, since the CB policy is still a relatively new import scheme, the cumbersome process to evaluate the import applications has resulted in the delayed issuance of import licenses for sugar.

TRADE MATRICES

Table 5. Import Trade Matrix, Raw Sugar 2022 -2024

Import Trade Matrix			
Country	Indonesia		
Commodity	Sugar, Raw		
Time Period	May-Apr	**Units:**	1,000 MT
Exports for:	2022/23		**2023/24***
U.S.	0		0
Others		Others	
Thailand	2482	Thailand	1180
Brazil	1266	Brazil	1694
Australia	748	Australia	815
India	700		
Total for Others	5196		3689
Others not Listed	1		37
Grand Total	5197		3726

*Note: * Only for the period of May 2023 – February 2024*
Source: Trade Data Monitor

Table 6. Import Trade Matrix, Refined Sugar 2022 -2024

Import Trade Matrix			
Country	Indonesia		
Commodity	Sugar, Refined		
Time Period	May-Apr	**Units:**	1,000 MT
Exports for:	2022/23		**2023/24***
U.S.	0		0
Others		Others	
Thailand	161	Thailand	93
India	62	India	84
South Korea	6	Vietnam	13
		Malaysia	6
		South Korea	4
Total for Others	229		200
Others not Listed	1		2
Grand Total	230		202

*Note: * Only for the period of May 2023 – February 2024*
Source: Trade Data Monitor

Table 7. Export Trade Matrix, Refined Sugar 2022 -2024

Export Trade Matrix			
Country	Indonesia		
Commodity	Sugar, Refined		
Time Period	May-Apr	**Units:**	1,000 MT
Exports for:	2022/23		**2023/24***
U.S.	1		1
Others		Others	
Vietnam	330	Vietnam	70
The Philippines	7	Thailand	34
Timor Leste	4	The Philippines	13
Malaysia	3	Malaysia	10
Singapore	2	Papua New Guinea	5
Total for Others	346		132
Others not Listed	9		28
Grand Total	356		161

*Note: * Only for the period of May 2023 – February 2024*
Source: Trade Data Monitor

Table 8. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	15,619
2023	14,992	15,240	15,418	14,661	15,003	15,000	15,026	15,237	15,487	15,897	15,587	15,439
2024	15,803	15,630	15,624	15,907								

Source: Bank of Indonesia

Note: The exchange rate is 15,907 IDR/1 USD, as of April 4, 2024.

Attachments:

No Attachments